

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 FEA-01 AGR-05 CEA-01 CIAE-00 COME-00

DODE-00 EB-07 FRB-03 H-01 INR-07 INT-05 L-02 LAB-04

NSAE-00 NSC-05 PA-01 RSC-01 AID-05 CIEP-01 SS-15

STR-01 TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01

IO-10 XMB-02 /101 W

----- 114318

R 311716Z JAN 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 7648

INFO AMEMBASSY BUCHAREST

AMEMBASSY BUDAPEST

AMEMBASSY MOSCOW

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMEMBASSY WARSAW

AMEMBASSY VIENNA

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E.O. 11652: N/A

TAGS: EEWT, GW, CZ

SUBJECT: FRG ECONOMIC COOPERATION WITH CZECHOSLOVAKIA

1. BEGIN SUMMARY. EMBOFF DISCUSSED RECENTLY SIGNED
FRG-CZECH COOPERATION AGREEMENT AND OTHER BILATERAL
ECONOMIC ISSUES WITH FOREIGN OFFICE AND ECONOMICS
MINISTRY CONTACTS. BOTH REPORTED THAT THE COOPERATION
AGREEMENT IS VIRTUALLY IDENTICAL TO THOSE SIGNED
WITH OTHER EAST EUROPEAN NATIONS AND IS UNLIKELY TO
HAVE A SIGNIFICANT ECONOMIC IMPACT. DURING ITS RECENT
VISIT TO BONN, THE CZECH DELEGATION ALSO PRESSED THE
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FRG FOR FURTHER TRADE CONCESSIONS, BUT WITHOUT SUCCESS.

END SUMMARY.

2. A HIGH LEVEL CZECH DELEGATION, INCLUDING MINISTER OF TRADE BARCAK AND MINISTER OF INDUSTRY AND DEVELOPMENT SUPKA, SIGNED AGREEMENT ON ECONOMIC, INDUSTRIAL, AND TECHNICAL COOPERATION JANUARY 22 IN BONN. THE AGREEMENT WAS SIMILAR IN FORM TO OTHER FRG COOPERATIVE AGREEMENTS WITH EASTERN EUROPEAN COUNTRIES, CONTAINING NO REAL SUBSTANTIVE ECONOMIC PROVISIONS. ONE NEW FEATURE WAS THE FORMATION OF THREE SUBCOMMITTEES BELOW THE MIXED COMMISSION. THESE SUBCOMMITTEES WILL PREPARE REPORTS ON WAYS TO FACILITATE FRG-CZECH COOPERATION IN THE FIELDS OF (1) ENERGY AND CHEMICALS, (2) ELECTRONICS AND ELECTRICAL PRODUCTS, AND (3) MACHINERY AND METALLURGY FOR CONSIDERATION BY THE MIXED COMMISSION AT ITS SEMI-ANNUAL MEETINGS.

3. BOTH OUR FOREIGN OFFICE AND ECONOMICS MINISTRY CONTACTS DOUBT THAT THE AGREEMENT WILL SIGNIFICANTLY EXPAND INDUSTRIAL COOPERATION BETWEEN THE TWO NATIONS. WITH ONLY TWENTY GERMAN FIRMS ENGAGED IN COOPERATIVE PROGRAMS AT THIS TIME, EVEN A DOUBLING OF THAT NUMBER IS NOT LIKELY TO HAVE MUCH OF AN ECONOMIC IMPACT. MOREOVER, THE CZECHS MUST COMPETE WITH THE OTHER EAST EUROPEANS FOR GERMANY'S ATTENTION. OUR FOREIGN OFFICE SOURCE FELT THAT THE CLIMATE FOR COOPERATION WAS SOMEWHAT BETTER IN HUNGARY, FOR EXAMPLE, WHERE A LARGE CONTINGENT OF GERMAN FIRMS ALREADY ENGAGED IN COOPERATIVE PROGRAMS COULD ACT AS A MAGNET TO ATTRACT ADDITIONAL FIRMS.

4. ACCORDING TO ONE SOURCE, THE CZECHS ARE INTERESTED IN USING COOPERATION AGREEMENTS PRIMARILY AS A VEHICLE FOR ATTRACTING HIGH-TECHNOLOGY FIRMS, SINCE CZECH INDUSTRY IS AT A RELATIVELY ADVANCED TECHNICAL POSITION, ESPECIALLY VIS-A-VIS OTHER EAST EUROPEAN COUNTRIES. THE PRINCIPAL HIGH-TECHNOLOGY GERMAN FIRMS ARE NOT PARTICULARLY INTERESTED IN SUCH COOPERATION, HOWEVER, DUE TO A FEAR OF LOSING THEIR LIMITED OFFICIAL USE

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TECHNOLOGICAL ADVANTAGES.

5. THE CZECHS EXPRESSED THEIR CONCERN TO THE FRG THAT NO LARGE GERMAN FIRMS WERE CURRENTLY INVOLVED IN COOPERATIVE PROGRAMS. THE GERMAN GOVERNMENT RESPONDED BY NOTING ITS BELIEF THAT THE COMPANIES, NOT THE GOVERNMENT, SHOULD TAKE THE INITIATIVE IN ESTABLISHING THESE COOPERATIVE AGREEMENTS. SUPKA PAID A VISIT TO SIEMENS IN THE HOPE OF CONVINCING THEM TO LAUNCH A COOPERATIVE VENTURE, BUT SIEMENS

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WAS NOT FORTHCOMING.

6. THE CZECH DELEGATION ALSO RAISED TRADE QUESTIONS DURING THE VISIT. THE CZECHS WANT CORRECTIVE MEASURES TO REDUCE THE \$250 MILLION TRADE DEFICIT WITH THE FRG, AND THEY WANT FURTHER LIBERALIZATION OF FRG QUOTAS ON TEXTILES, LEATHER, AND FOOTWEAR. REGARDING THE TRADE IMBALANCE, OUR ECONOMICS MINISTRY SOURCE FELT THAT LITTLE COULD BE DONE. GREATER INDUSTRIAL COOPERATION MIGHT BE A LONG-RANGE SOLUTION, IF SIGNIFICANTLY MORE GERMAN FIRMS EXPORTED SEMI-FINISHED PRODUCTS AND RAW MATERIALS FOR FINISHING/PROCESSING AND REIMPORT. REGARDING THE QUOTAS, OUR ECONOMICS MINISTRY SOURCE STATED THAT IT WAS SIMPLY IMPOSSIBLE TO LIBERALIZE IMPORTS BEYOND THE 93.4 PERCENT LEVEL RECENTLY NEGOTIATED, PARTICULARLY IN THE THREE PRODUCT CATEGORIES RAISED BY THE CZECHS. THE FRG ALSO REITERATED ITS POSITION THAT THE EC NOW MAINTAINS JURISDICTION OVER THIS ISSUE.

7. OUR ECONOMICS MINISTRY CONTACT REPORTED THAT MINISTER FRIDERICHs ACCEPTED INVITATION OF BARCAK TO ATTEND THE CZECH TRADE FAIR LATER THIS YEAR IN BRNO.

8. THE EMBASSY IS PREPARING A TRANSLATION OF THE ECONOMIC COOPERATION AGREEMENT FOR SUBMISSION TO THE DEPARTMENT.
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